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Inspector General

United States
Department of Defense



Oversight Review

April 15, 2011

Hotline Allegations Concerning a Field Audit Office in the Defense Contract Audit Agency Central Region

Report No. D-2011-6-007

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Acronyms

DCAA	Defense Contract Audit Agency
GAGAS	Generally Accepted Government Accounting Standards
GAO	Government Accountability Office
WHS-CAF	Washington Headquarters Services Consolidated Adjudications Facility

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INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

April 15, 2011

MEMORANDUM FOR DIRECTOR, DEFENSE CONTRACT AUDIT AGENCY

SUBJECT: Report on Hotline Allegations Concerning a Field Audit Office in the Defense Contract Audit Agency Central Region (Report No. D-2011-6-007)

We are providing this report for your information and use. We reviewed a DOD Hotline complaint and substantiated four of the six allegations contained within the complaint. We substantiated that the supervisor of a field office in the Defense Contract Audit Agency (DCAA) Central Region unnecessarily caused a delay in the complainant's promotion from grade 9 to grade 11, failed to provide adequate supervision and on-the-job training, and improperly removed an audit finding. The manager of the same office also created an unprofessional work environment. DCAA is undertaking several corrective actions, such as improving its on-the-job training program.

We considered management comments on a draft of this report when preparing the final report. The Defense Contract Audit Agency comments conformed to the requirements of DOD Directive 7650.3; therefore, additional comments are not required.

We appreciate the courtesies extended to the staff. Questions should be directed to Ms. Carolyn R. Davis at (703) 604-8777 (DSN 664-8777), or carolyn.davis@dodig.mil.

A handwritten signature in blue ink, appearing to read "R. Stone", is positioned above the typed name of the Deputy Inspector General.

Randolph R. Stone, SES
Deputy Inspector General
for Policy and Oversight

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Results In Brief: Hotline Allegations Concerning a Field Audit Office in the Defense Contract Audit Agency Central Region

What We Did

We reviewed the DOD Hotline complaint alleging that Defense Contract Audit Agency (DCAA) management at a field office in the Central Region harassed the complainant and took other inappropriate management actions.

What We Found

We substantiated four of the six allegations listed in the complaint. We substantiated that the supervisor unnecessarily caused a delay in the complainant's promotion from grade 9 to grade 11, the supervisor failed to provide adequate supervision and on-the-job training, the supervisor improperly removed an audit finding, and the manager created an unprofessional work environment. We did not substantiate the remaining two allegations that a security reinvestigation was used as harassment, and the supervisor based her rating entirely on metrics. DCAA's Internal Review team also conducted a comprehensive investigation of the allegations. We examined the investigation file and draft findings as part of our review.

What We Recommend

The DCAA Director needs to evaluate the adequacy of the procedures and establish controls that ensure the timely reporting of derogatory events, processing of career-ladder promotions, and preparation of employee performance appraisals. In addition, the DCAA Director should evaluate the significance of a finding dropped by the supervisor and rescind the underlying report if appropriate. Finally, the DCAA Director should consider strengthening the mentor program to help ensure that non-senior auditors receive adequate on-the-job training.

Management Comments

In responding to a February 24, 2011 draft of this report, DCAA agreed with all findings and recommendations, except with our position that the complainant's promotion cannot be retroactively changed (See Finding B). The DOD Inspector General and DCAA will jointly request assistance from the DOD Office of the General Counsel to resolve this matter. DCAA provided an adequate plan for implementing all recommendations.

United States Department of Defense Office of Inspector General
(Project No. D2010-DIP0AI-0184.000)
Report No. D-2011-6-007
April 15, 2011

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Introduction

Objectives

We conducted this review to determine the validity of allegations received by the DOD Hotline concerning abuse and other actions that the Defense Contract Audit Agency took against the complainant. The complainant alleges the following:

- A. A security reinvestigation was used as a form of harassment against her.
- B. Her promotion from grade 9 to grade 11 was unnecessarily delayed.
- C. The supervisor based her FY 2008 rating entirely on productivity metrics and failed to consider her learning a contractor's new accounting system.
- D. Management failed to adequately supervise her or provide adequate on-the-job training.
- E. The supervisor improperly removed an audit finding from one of her draft audit reports.
- F. The branch manager created an unprofessional workplace.

See Appendix A for details of our scope and methodology.

Background

Defense Contract Audit Agency (DCAA)

In accordance with DOD Directive 5105.36, DCAA performs contract auditing and provides accounting and financial advisory services in connection with the negotiation, administration and settlement of contracts and subcontracts. DCAA operates under the authority, direction, and control of the Under Secretary of Defense (Comptroller).

Organizationally, DCAA includes a Headquarters, Field Detachment, and five regions: Central, Eastern, Mid-Atlantic, Northeastern, and Western. Each region has several field audit offices. The allegations addressed in this report involve a field audit office in DCAA's Central region.

As a Government audit organization, DCAA must comply with applicable generally accepted government auditing standards (GAGAS) issued by the Comptroller General of the United States. GAGAS incorporates the standards issued by the American Institute of Certified Public Accountants. The DCAA Contract Audit Manual prescribes auditing policies and procedures for performing audits in support of the DCAA mission. The Contract Audit Manual incorporates GAGAS into its guidance.

DCAA's Quality Assurance Division is responsible for the management and execution of DCAA's quality assurance program. It performs formal quality reviews based on

guidelines established by the Council of Inspectors General on Integrity and Efficiency¹, and other quality assurance projects on both an agency-wide and regional basis. In performing its reviews and quality assurance projects, the Quality Assurance Division assesses compliance with applicable regulations, auditing standards, the DCAA Contract Audit Manual, and other agency procedures.

The DCAA Internal Review Team

The DCAA Internal Review Team investigates allegations of wrongdoing made against Agency employees. The team also serves as a resource for resolution of workplace-related concerns. The Internal Review team received the complaint addressed in this report and performed its own investigation of the allegations. We examined Internal Review's investigation file and draft report as part of our review of the allegations.

The Government Accountability Office (GAO)

GAO issued two reports addressing DCAA work environment and audit quality issues, including one in July 2008² and the other in September 2009³. The 2008 report addressed frequent DCAA management actions that served to intimidate auditors, impair some audits, and create an abusive environment at two of three offices covered in its investigation. The 2009 report noted that nationwide audit quality problems were rooted in DCAA's poor management environment and culture, which included DCAA's focus on a production-oriented mission and the establishment of policies, procedures, and training that emphasized performing a large quantity of audits over audit quality.

After the 2008 GAO report, the DOD Hotline received a significant increase in the number of complaints regarding work environment issues at DCAA, including the hotline complaint addressed in this report. The allegations addressed in this report involve some of the same issues reported by GAO.

¹ The Council of Inspectors General on Integrity and Efficiency was established by the Inspector General Reform Act of 2008 (P.L. 110-409). Prior to its establishment, Federal Inspectors General operated under the auspices of two councils: the President's Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency. It was established to address integrity, economy, and effectiveness issues that transcend individual Government agencies; and increase the professionalism and effectiveness of personnel by developing policies, standards, and approaches to aid in the establishment of a well-trained and highly skilled workforce in the Offices of the Inspectors General.

² Report No. GAO-08-857, "DCAA AUDITS: Allegations That Certain Audits at Three Locations Did Not Meet Professional Standards Were Substantiated," July 22, 2008.

³ Report No. GAO-09-468, DCAA AUDITS: "Widespread Problems with Audit Quality Require Significant Reform," September 23, 2009.

Finding A. Security Reinvestigation Used as Harassment

We did not substantiate the allegation that DCAA used a security reinvestigation as harassment against the complainant. However, DCAA needs to reassess the adequacy of its procedures and establish controls for making prompt notification of potentially derogatory information that could affect an employee's continued security eligibility.

Allegation. The complainant alleges that the DCAA Security Officer harassed her by demanding that she complete a security questionnaire following a cell phone conversation she had with a friend in which she expressed frustration about working with her supervisor. During the conversation, the complainant acknowledges that she commented "I might as well [REDACTED]" but explained that she only meant it as a figure of speech in expressing her frustration about working for her supervisor. The complainant states that a coworker who overheard the conversation took her comment out of context when the coworker reported it to management.

Background. The complainant has worked as an auditor with DCAA since 2002. On February 25, 2009, two coworkers advised management that they were concerned about the well-being of the complainant because the complainant had made comments to them about [REDACTED]. On March 2, 2009, management counseled the complainant and suggested that she consider utilizing the Employee Assistance Program⁴. On March 4, 2009, management reported the February 25, 2009 incident to the DCAA Security Officer stationed at Fort Belvoir, Virginia. The DCAA Security Officer obtained written witness statements from the complainant and three others in the office concerning the incident. The DCAA Security Officer notified the Washington Headquarters Services Consolidated Adjudications Facility (WHS-CAF) of the incident and provided copies of the witness statements. WHS-CAF is responsible for determining security clearance eligibility for employees at several DOD agencies, including DCAA. On August 9, 2009, following its review of the incident, WHS-CAF and the DCAA Security Officer issued memorandums to the complainant requesting that she complete Standard Form 85P⁵, Questionnaire for Public Trust Positions. The memorandums advised the complainant that failure to complete the questionnaire could result in termination of her security clearance and job duties. The complainant refused to complete the questionnaire because she felt it was a form of harassment and an unnecessary invasion of privacy.

DCAA's Internal Review team reviewed this allegation and tentatively concluded that the request for completion of Standard Form 85P did not constitute a form of harassment.

⁴ All Federal agencies provide Employee Assistance Programs. Basic program services include cost-free and confidential assessment, counseling, referral, and follow-up to employees who have personal or work-related problems that might affect work attendance, performance, or conduct.

⁵ Standard Form 85P is a questionnaire used for Secret and Public Trust Security background checks. Employee or candidate responses to the questionnaire are used to begin the process of investigating whether they are suitable for public trust or sensitive positions.

Our Review. We obtained and reviewed the witness statements provided to the DCAA Security Officer. While the complainant's statement indicates that she was speaking to a friend over the cell phone, the two coworkers' statements reflect that the complainant had approached them in person, crying and stating, "I might as well [REDACTED]" The acting manager's written statement indicates that the coworkers immediately reported the complainant's comments to her. The acting manager's written statement also indicates that on February 23, 2009, two days prior to the incident, the complainant spoke to her about an appraisal she received from her supervisor. According to the acting manager's written statement, the complainant told her that the appraisal was so upsetting that "it caused her to [REDACTED]"

Applicable Criteria. We reviewed applicable DCAA policies, and DOD directives. According to DOD Directive No. 5105.36, Defense Contract Audit Agency, agency security actions must comply with procedures prescribed in DOD 5200.2-R, Personnel Security Program. Paragraph C2.2.1 of DOD 5200.2-R lists the criteria for determining security clearance eligibility. Under Paragraph C2.2.1.10, the criteria includes:

Any behavior or illness, including any mental condition, which, in the opinion of competent medical authority, may cause a defect in judgment or reliability with due regard to the transient or continuing effect of the illness and the medical findings in such case.

Clearly, the complainant's comments made on February 25, 2009, regarding a [REDACTED] qualified as a potentially derogatory event under paragraph C2.2.1.10. Further, paragraph C8.1.2.1 of DOD 5200.2-R states:

Whenever derogatory information related to the criteria and policy set forth in paragraph C2.2.1 and Appendix 8 of this regulation becomes available....it shall be referred by the **most expeditious means** to the commander or the security officer of the organization....The commander of the duty organization shall insure that the appropriate Central Adjudicative Facility (CAF) of the individual concerned is informed promptly concerning (1) the derogatory information developed....(emphasis added)

Paragraph C9 of DOD 5200.2-R outlines the responsibilities for evaluating and reporting the continued security eligibility of employees, including management, the individual under evaluation, and coworkers. Paragraph C9.1.5 states that coworkers have an obligation to advise their supervisor or a security official when they become aware of information with potentially serious security significance.

DCAA and WHS-CAF Actions. The coworkers, DCAA Security Officer, and WHS-CAF complied with applicable DOD requirements in this circumstance. As DOD 5200.2-R, paragraph C9 requires, DCAA management and coworkers had an obligation to report this incident to the DCAA Security Officer because it qualified as potentially derogatory information that could affect security clearance eligibility. In turn, the DCAA Security Officer had an obligation to report the incident to the WHS-CAF for its consideration and appropriate action. The WHS-CAF request that the complainant complete Standard Form 85P was appropriate in order to reassess the complainant's continued security

eligibility in accordance with DOD 5200.2-R, paragraph C9.1. Therefore, we did not substantiate the allegation that DCAA used a security reinvestigation as harassment against the complainant.

However, we question why the acting manager took 7 days to report this incident to the DCAA Security Officer. While the incident occurred on February 25, 2009, the acting manager did not report it to the DCAA Security Officer until March 4, 2009. The acting manager's delay in reporting the incident is not consistent with paragraph C8.1.2.1 of DOD 5200.2-R, requiring that such information be "referred by the most expeditious means." The 7-day delay could have jeopardized the safety and security of the complainant and the office as a whole. The acting manager told us that while she was concerned about the well-being of the complainant, she was very busy with audit matters at the time and was unsure of what she should do. The acting manager told us that she does not recall receiving any training on management responsibilities for reporting potentially derogatory incidents ("derogatory" as defined in DOD 5200.2-R). Ensuring employee safety and security must be a top priority for DCAA management.

Our review of the training provided to new supervisors disclosed that DCAA does not address the reporting responsibilities for management contained in DOD 5200.2-R. DCAA should perform a comprehensive review of its policies, procedures, and training for reporting potentially derogatory events to ensure compliance with the requirements contained in Paragraph C9 of DOD 5200.2-R. In a December 6, 2010, memorandum, the Under Secretary of Defense for Intelligence attached the "Roles and Responsibilities for Personnel Security: A Guide for Supervisors," which was developed to assist commanders and supervisors in the early identification and intervention of behaviors that might jeopardize the well-being of the workforce and national security. DCAA should incorporate this guide in its training curriculum for supervisors and managers.

Finding B. Delayed Promotion Due to Clerical Error

We substantiated that DCAA had unnecessarily delayed the complainant's promotion from grade 9 to grade 11 by over two months. While the complainant had met all the requirements for promotion, the supervisor did not fulfill his responsibility of completing the required paperwork in a timely manner. DCAA should review its procedures and controls to help ensure that promotions occur in a timely manner when all requirements for promotions are met.

However, based on our review of applicable Comptroller General Decisions, the complainant is not entitled to a retroactive promotion or back pay because the delay occurred prior to approval of the promotion.

Allegation. The complainant stated that DCAA had unjustifiably delayed her promotion from grade 9 to grade 11 by over two months in 2003 due to a clerical error. The complainant requested that DCAA change her promotion date from September 21, 2003

to July 14, 2003. The complainant pointed out that her annual step increases are always late because of the delay, which causes a reduction in her total annual salary.

Background. DCAA hired the complainant as a grade 9 level auditor trainee. DCAA generally promotes auditors to grade 11 after serving 1 year at the grade 9 level, if the auditor's appraisal rating is "fully successful" or higher. The complainant served 1 year at the grade 9 level as of July 14, 2003, and her overall appraisal rating was "fully successful." However, the complainant did not receive her promotion to grade 11 until September 21, 2003. Shortly after the delayed promotion, the complainant said that she asked the Human Resources department to change the effective date of her promotion to July 14, 2003. However, the Human Resources department told her that they could not.

DCAA's Internal Review team investigated this allegation and has tentatively substantiated that the complainant's promotion from grade 9 to grade 11 was unjustifiably delayed.

Our Review. We interviewed the employee who supervised the complainant in 2003. The supervisor stated the complainant had asked him about the status of her promotion sometime in September 2003 (the supervisor does not recall the exact day). Immediately following that discussion, the supervisor recalled completing the paperwork for her promotion and sending it to the Human Resources department for processing. The supervisor stated that he had intended to promote the complainant on time (after serving 1 year as a grade 9 auditor). He pointed out that the administrative staff normally forwards an email reminding supervisors of pending promotions, but he did not receive a reminder in the case of the complainant's pending promotion.

We reviewed DCAA procedures applicable to granting and processing auditor promotions. The DCAA Personnel Manual, Chapter 16, Section 2-3, entitled Career Ladder Progression (promotions from grade 5 to grade 12), emphasizes that supervisors are responsible for promoting their subordinates in a timely manner. It states, "Supervisors are responsible for ensuring that their subordinates in grades below the GS-12 journeyman level progress to each step of the career ladder as rapidly as demonstrated performance warrants and time-in grade restrictions are met."

The supervisor said the instructor of his supervisory training class told class attendees that supervisors were not required to monitor pending promotions because they should receive reminder notices. Regardless of not receiving a reminder notice in this case, the supervisor was ultimately responsible for ensuring the complainant's timely promotion. This delay in processing the complainant's promotion is inexcusable. Given that this delay took place over 7 years ago, DCAA procedures for processing promotions might have changed significantly. DCAA should review the adequacy of its current training and procedures and if they are inadequate, establish procedures and controls to help ensure timely promotions of employees when they meet performance, time in-grade, and other applicable requirements.

Based on our review of applicable law and Comptroller General Decision precedent, the complainant is not entitled to back pay or a retroactive promotion. According to the Back

Pay Act [5 U.S.C. 5596(b)(1)], an employee of an agency is entitled to back pay when the employee has been affected by an unjustified or unwarranted personnel action which resulted in the withdrawal or reduction of the employee's pay, allowances or differentials.

However, the Comptroller General of the United States⁶, in the matter of Marianna Mehutcs, file no. B-261592, November 13, 1995, ruled that where delay precedes the approval by the authorizing official, no administrative intent to promote can be established so as to support a claim for retroactive promotion. The decision states in part:

...Employees have no vested right to be promoted at any specific time....In cases involving approval of a retroactive promotion on the grounds of administrative or clerical error, the authorizing official must approve the promotion. Thus a distinction is drawn between those errors that occur prior to approval of the promotion by the properly authorized official and those that occur after such approval but before the acts necessary to effectuate the promotion have been fully carried out.... Where the error or omission occurs before he exercises that discretion, administrative intent to promote at any particular time cannot be established....In determining if an exception can be made and a retroactive promotion can be granted, the cause of the delay is less important than when the delay occurs.

Consequently, based on this Comptroller General decision, the effective date of the complainant's promotion cannot be retroactively changed because the delay occurred before the authorizing official approved it.

Finding C. Appraisal Rating Based Entirely on Metrics

We did not substantiate the complainant's allegation that her FY 2008 appraisal ratings were based solely on productivity "metrics." In addition, we did not substantiate that the appraisal ratings failed to consider her learning a contractor's new electronic accounting system.

Allegation. The complainant believes that the supervisor evaluated her solely on metrics in her FY 2008 mid-year and annual appraisals, and did not take into consideration that she learned the contractor's new electronic accounting system.

Background. The complainant received a mid-year and an annual appraisal covering her performance in FY 2008 (October 1, 2007 through September 30, 2008). According to DCAA procedure, a mid-year appraisal involves a discussion between the supervisor and the employee on employee performance, which the supervisor documents in a memorandum for the record. The supervisor does not assign a specific rating in the mid-year appraisal. In contrast, the annual appraisal serves to formally rate the employee's

⁶ The Comptroller General, the head of the Government Accountability Office, issues decisions on various topics such as appropriations law, bid protests, and other areas of Federal law. The Office of General Counsel is the Government Accountability Office that prepares these decisions.

degree of proficiency against five pre-established job elements. For each element, employee performance is rated on a 5-level scale (highest to lowest): outstanding, exceeds fully successful, fully successful, minimally successful, and unacceptable. Using the same 5-level scale, an overall rating is determined based primarily on the majority rating of the five elements. In support of the appraisal, supervisors often provide narrative comments on employee performance. In the mid-year appraisal, DCAA procedures require narrative comments when employee performance has deteriorated or is less than fully successful. In the annual appraisal, narrative comments are required when any job element is rated outstanding, minimally successful, or unsuccessful.

Effective September 30, 2008 (the last day of the complainant's FY 2008 performance period), DCAA eliminated several productivity metrics to emphasize audit quality in response to the July 2008 GAO report. Agency-wide, DCAA eliminated 18 productivity metrics, developed 8 new performance measures, and re-emphasized its policy on zero-based budgeting⁷.

DCAA's Internal Review team investigated this allegation and has tentatively not substantiated it.

Our Review. We examined the complainant's FY 2008 mid-year and annual appraisals. In her annual appraisal, the complainant received an overall rating of fully successful, based on one job element rated "exceeds fully successful" (Audit Program Preparation, Revision, and Execution) and four rated "fully successful." We noted the following regarding each aspect of the allegation.

Appraisal Rating Based Solely on Metrics. Both the mid-year and annual appraisals included narrative comments on complainant's timeliness and productivity. In the mid-year appraisal, the supervisor commented that the complainant did not complete assigned work in a timely manner, and had significantly overrun her budgeted hours on each assignment. The supervisor listed several specific recommendations for improving the complainant's performance. In the annual appraisal, the supervisor commented on audit quality as well as timeliness and productivity. For example, the supervisor wrote the following:

Your working papers are documented to a very detailed level, which is good, and your conclusions typically are accurate and supported.

As discussed at mid-year, timeliness is a concern in these areas...I'm afraid over-analysis and somewhat lack of organization contributes to your taking longer to complete jobs than planned. I believe that if you specifically define your audit steps—in coordination with the supervisor—and be aware when straying from the audit plan, this should show good improvement.

The supervisor also commented that the complainant worked independently, but reminded the complainant to keep the supervisor informed of audit issues as they arise.

⁷ Zero-based budgeting is the process during which the supervisor and the auditor discuss and agree on the budgeted hours required to perform an audit based on the risk assessment, audit scope, and audit program.

Based on our review of the FY 2008 appraisals, we did not substantiate that they were based solely on productivity metrics. The annual appraisal addressed audit quality and productivity issues, including constructive recommendations for improving future performance. Although these appraisals focused primarily on productivity issues, they were prepared in accordance with agency guidance in effect during FY 2008. The revised metrics and additional measures designed to emphasize audit quality did not take effect until September 30, 2008 (the last day of the complainant's appraisal period). As part of our review of the complainant's audit files, we noted that the complainant had not adequately coordinated with the supervisor on the progress of her audits or the circumstances requiring significant additional time to complete the audit steps. Regardless of the revised productivity metrics, auditors have a responsibility of keeping the supervisor informed as significant problems occur during an audit. In accordance with GAGAS 6.04a and CAM section 2-302.2(a) and (i), auditors and supervisors should have a mutual understanding of the scope required to meet the audit objectives and ensure adequate planning and supervision of the audit.

Although the FY 2008 appraisals criticize the complainant for not being timely, we also noted that the supervisor did not prepare these evaluations or discuss them with the complainant in a timely manner. The complainant received her mid-year appraisal on July 28, 2008, only 2 months before the end of the appraisal period (September 30, 2008). She received her annual appraisal in February 2009, nearly 5 months after the end of the appraisal period. According to DCAA Central Region procedure, the supervisor was required to discuss the FY 2008 annual appraisal with the complainant by October 24, 2008. Therefore, the complainant received her appraisal approximately 4 months beyond the required due date. The extent of the delay in this case is unacceptable. Appraisals and other forms of feedback must be timely in order for them to be effective in documenting employee performance and correcting any performance issues. DCAA needs to review the adequacy of its procedures and establish controls to ensure timely employee appraisals.

Learning the Contractor's Electronic Accounting System. The complainant's appraisals included specific comments about the complainant's use of the contractor's electronic accounting system. The complainant's mid-year appraisal includes the following specific comments regarding her use of the contractor's electronic accounting system:

While you are probably the most experienced in the office at working with [the contractor's electronic accounting system] and have learned a lot of valuable information about working with the system, you should not expect [the contractor's electronic accounting system] queries to answer all questions. I don't want to discourage use of [the contractor's electronic accounting system] in our auditing, but I want you to be more selective in what you run. (electronic accounting system name omitted)

The complainant's annual appraisal includes the following comment:

You are a frequent and eager user of the contractor's [electronic accounting system], which can be a significant time-saver on audits. (electronic accounting system name omitted)

This comment appears to serve, in part, as justification for rating the complainant exceeds fully successful (second highest rating) on one of the rated job elements. Therefore, we did not substantiate the allegation that the appraisal failed to consider the complainant learning the contractor's accounting system.

Finding D. Finding Improperly Removed from Audit Report

We substantiated the complainant's allegation that her supervisor improperly removed an audit finding from one of the complainant's audit reports she drafted. In noncompliance with DCAA procedure, the supervisor did not document any rationale for dropping the audit finding, and we found no evidence that the supervisor coordinated with the complainant before he removed it.

Allegation. The complainant states that her supervisor deleted a finding from one of her audit reports without her knowledge.

Background. In November 2008, DCAA's Quality Assurance Division performed a post-quality review of one of the complainant's completed assignments involving her audit of the contractor's Earned Value Management System (issued on July 21, 2008). During the post-quality review, the complainant discovered that one of the findings included in her draft report of this assignment had been dropped from the final report. The dropped finding addressed the contractor's use of the wrong basis for calculating estimated price on a form submitted by the contractor. The Quality Assurance Division noted the dropped finding in its review results. The Quality Assurance Division listed the following exceptions regarding the complainant's assignment:

- The audit report dropped a reportable condition that was identified in the summary working papers.
- The opinion contained in the audit report was inconsistent with the working paper evidence and was beyond the scope of the actual testing performed.
- DCAA did not provide the audit results to the requestor on a timely basis.
- Insufficient supervisory review and involvement was responsible, in part, for the deficiencies found in the audit. The involvement of the supervisory auditor was not sufficient to assure that the work was adequately performed and reported.

In response to these exceptions, DCAA Central Region management had the supervisor take two training courses, which addressed supervisor responsibilities for complying with GAGAS and the agency's expectations for supervisors.

In a subsequent investigation, DCAA's Internal Review team also determined that the supervisor had inappropriately removed a reportable finding from the issued report, in noncompliance with GAGAS. In his interview with the Internal Review team, the supervisor said that he could not recall why report adjustments (including the dropped finding) were made. The supervisor pointed out that the complainant had not portrayed the dropped finding as a significant issue, and that the overall audit report opinion had not changed. The Internal Review team confirmed that the overall audit opinion had not changed as a result of the dropped finding.

In addition, the Internal Review team found no evidence that the supervisor had discussed the report changes with the auditor prior to report issuance. The Internal Review team reviewed a record of who accessed the assignment and found that the complainant did not access the assignment after she had submitted it to the supervisor for review. If the supervisor had discussed his report changes with the complainant, the complainant would have likely accessed the assignment again to review the proposed changes and make any necessary changes to the working papers.

Our Review. We reviewed the assignment folder (including the report and working papers) associated with the complainant's review of the contractor's Earned Value Management System. We noted that on or about July 21, 2008, the supervisor had deleted approximately 14 pages worth of tables and explanatory notes (including the dropped finding) that the complainant had included in her 26-page draft report. The dropped finding noted by DCAA's Quality Assurance Division and Internal Review team relates to the removal of the following sentence in the complainant's draft report: "We took exception to the contractor's calculation for computing the Estimated Price in Box 5.f." Based on information contained in the working papers, we could not ascertain the significance or the effect of this dropped finding.

We interviewed the complainant's supervisor to discuss the changes he made to the draft report. The supervisor explained that he omitted the audit finding referred to above because, in his opinion, it was not a significant issue. The supervisor acknowledged that he should have informed the complainant that he removed the audit finding.

The supervisor's failure to discuss his proposed report changes with the complainant and document the differences of opinion prior to the report's issuance was inappropriate and did not comply with existing agency procedure. DCAA's Contract Audit Manual, section 4-403(f)(2) [July 2008 version], required the supervisor to exert every effort to reconcile differences of opinion involving relevant and significant conclusions with the auditor, elevate any unreconciled differences to the next management level, and ensure that the unreconciled differences are documented in the working papers. Although the supervisor believed that the dropped finding was insignificant, we did not find sufficient information in the working paper file to support this assertion. Our review disclosed that the complainant did not adequately explain or document the effect or significance of the dropped finding in the working papers or draft report. However, the supervisor had an obligation to discuss the potential impact with the complainant and determine if additional audit work was required to assess the impact. The supervisor should not have

assumed that the impact of the dropped finding was insignificant without first discussing the underlying issue with the complainant.

We could not determine conclusively whether the deleted finding was significant to the report conclusions based on our review of the draft report and working papers. DCAA needs to immediately assess its significance and determine whether the report should be rescinded. The Quality Assurance Division should have recommended such action in September 2008 when it first discovered that the supervisor had inappropriately dropped a reportable audit finding.

GAO Report and DCAA Corrective Actions. In its July 2008 report, GAO noted several instances where supervisors had inappropriately dropped audit findings, and the working papers did not adequately explain why the findings were dropped. On July 31, 2008, approximately 10 days after the supervisor dropped the audit finding in this case, DCAA issued an “Audit Alert” memorandum to emphasize and clarify existing procedures to follow when differences of opinion exist over audit findings. For example, it emphasized that both the supervisor and the auditor are responsible for adequately documenting differences of opinion in the audit file.

As noted above, the DCAA Central region required the supervisor to take revised supervisory training courses to address supervisor responsibilities for complying with GAGAS and the agency’s expectations for supervisors. We agree with the need to retrain this supervisor. DCAA Headquarters has required that all supervisors take these courses, not just this supervisor. We found no evidence that DCAA has taken other appropriate administrative action to hold the supervisor accountable for the supervisor’s significant failures disclosed by the Quality Assurance Division, such as dropping the audit finding and being insufficiently involved on multiple audits. However, we noted that the supervisor has since transferred to a non-supervisory position and Internal Review plans to recommend appropriate action, consistent with Federal civil service laws, to hold the supervisor accountable. As such, we have no additional recommended actions.

Finding E. Failure to Adequately Supervise and Provide On-the-Job Training

We substantiated the allegation that the complainant’s supervisor failed to provide adequate supervision. Further, we noted that some employees did not believe they received adequate on-the-job training. To enhance on-the-job-training, DCAA should consider implementing a strong mentor program whereby a senior auditor assists junior auditors in performing their assignments.

Allegation. The complainant stated that the supervisor she worked for in 2007 and 2008 provided very little guidance, even when she had no experience performing a particular type of audit. Her supervisor would simply tell her, “If you ask a question, have the answer when you come to me.”

Background. As discussed in Finding D above entitled “Improperly Removed Finding From Audit Report,” the Quality Assurance Division reviewed several audits as part of a quality review, including one of the complainant’s audits issued on July 21, 2008. The Quality Assurance Division found several deficiencies associated with the complainant’s audit and others. In particular, they also found that insufficient supervisory review and involvement was responsible, in part, for the deficiencies. Central Region management agreed with the deficiencies, and stated, “The root cause of the deficiency was the lack of supervisory involvement.”

As part of DCAA Internal Review’s investigation of this allegation, it evaluated the adequacy of the training and development provided by the two supervisors who had junior auditors assigned to their team. The Internal Review team concluded that the two supervisors did not provide adequate or timely feedback to trainees on their performance in accordance with DCAA and Central Region policy. For example, a trainee with 6 months of experience had not received any interim evaluations even though DCAA policy requires that supervisors prepare them every 3 months. The same supervisors also did not adequately develop Individual Development Plans⁸ for trainees in accordance with agency policy. A review of the plans for some of the trainees disclosed that no senior auditor was assigned to assist the trainee in their assignments.

Our Review. We reviewed the results of the Quality Assurance review. Of the eight audits reviewed by the Quality Assurance Division, five (63 percent) were found to have insufficient supervisory involvement. Of the five with inadequate supervisory involvement, two involved the complainant’s supervisor. We reviewed these two audits and agree with the Quality Assurance Division that they lacked supervisory involvement. Therefore, we substantiated the allegation that the complainant’s supervisor failed to provide adequate supervision.

We also noted indications that supervisors were not providing adequate on-the-job training to employees, particularly junior auditors (grade 11 and below). Four of the five junior auditors we interviewed expressed that they had not received adequate supervisory or on-the-job assistance with their assignments. For example, junior auditors described the following experiences:

- my mentor provided a list of applications and a copy of a working paper package. I found help in the office by going from auditor to auditor asking for their assistance;
- not much feedback on assignments from my supervisors; and
- I only had a mentor on my first audit, and believe management has a sink or swim mentality.

GAGAS and DCAA policy requires staff to be properly supervised. GAGAS 7.52 and 7.54 (as well as DCAA’s Contract Audit Manual, Section 2-503), states that audit

⁸ An Individual Developments Plan serves as a tool to facilitate discussion between the employee and the supervisor regarding the employee’s career and professional goals, competencies, and to assist in identifying training needs.

staff should be properly supervised to ensure that the audit work is properly conducted, the audit objectives are accomplished, and the staff is provided effective on-the-job training. Clearly, the field audit office covered in this review did not consistently provide adequate supervision and on-the-job training. In July 2008, DCAA lowered the ratio of auditors to supervisors in order to enhance agency-wide supervision of audits and on-the-job training. However, one of the more common complaints we continue to receive from auditors is the lack of adequate on-the-job training.

The DCAA Personnel Manual, Chapters 15 and 21, address the training and development of auditors. Chapter 15 states:

While supervisors retain ultimate responsibility for the training and development of new auditors, **trainees should also be assigned to work with journey-level auditors on various audit assignments.** The journey-level auditors will provide assistance to the supervisor in the training and development of the new hires. Typically, the journey-level auditor will: guide and assist the auditor in performing specific parts of audit programs; coach the new auditor on audit techniques useful in accomplishing assigned parts of an audit program; identify additional training the new auditor may require for skill development; and review completed assignments to appropriately satisfy audit program objectives. (emphasis added)

Despite this procedure, DCAA field audit offices do not always assign a journey-level auditor to assist trainees, even when the trainee or junior auditor does not possess the requisite training and experience to effectively perform an audit. DCAA has occasionally employed a mentor program to assist trainees and junior auditors in performing audits. However, DCAA has not consistently utilized the mentor program from year to year, or even region to region. In its 2009 report, GAO also noted that DCAA did not provide consistent on-the-job training to new auditors. In the past, DCAA management often discouraged the use of the mentor program in an effort to reduce the additional indirect mentor time charged by the journey-level auditor. The manager of the field audit office covered in this review told us that his office does not utilize a formal mentor program.

DCAA should consider establishing a formal and robust mentor program to augment the supervisor's responsibility for providing adequate on-the-job training and supervision to auditors.

Finding F. Unprofessional Workplace

We substantiated the complainant's allegation that the manager of the complainant's field audit office made inappropriate, unprofessional, and disrespectful remarks toward several subordinates on numerous occasions.

Allegation. The complainant stated that the supervisor's first line manager (the manager of the field audit office) was unprofessional towards her and other subordinates on several occasions, and harassed her about submitting late assignments.

Background. The Internal Review team thoroughly investigated this allegation and tentatively concluded that the manager of the field audit office:

- engaged in verbal and written disrespectful, offensive, and unprofessional language toward employees. In some instances, the unprofessional language was made in a public setting where other employees heard it;
- inappropriately mentioned salaries of employees while discussing performance issues with those employees. For example, the manager told the complainant she “probably gets paid around \$80,000 and that DCAA pays benefits of around \$50,000 and that is a lot of money to pay to do that audit;” and
- handled a situation where the manager questioned the complainant about the status of her assignment in an untactful and unprofessional manner. In an email exchange with the complainant, the Internal Review team concluded that the tone and verbiage used by the manager was unnecessary and inappropriate.

The Internal Review team also tentatively concluded that a supervisor who witnessed the manager’s inappropriate behavior failed to report the behavior to upper management. Internal Review plans to recommend appropriate action based on its tentative conclusions. In 2011, the DCAA Deputy Director proposed to discipline the manager of the field audit office for other unrelated misconduct. The manager resigned from DCAA prior to implementation of the proposed discipline.

Our Review. We interviewed all field audit office employees regarding this allegation, including the office manager. We confirmed the incidents of unprofessional behavior and remarks based on our interviews and our review of the DCAA Internal Review investigation file. Multiple auditors told us that the manager of the field audit office yelled at them about assignment due dates and other issues in a public area. While management has the right to question subordinates about the status of audits, they must remain professional in doing so. The manager acknowledged to us that he yelled at one employee in a public area and probably used inappropriate language. He also acknowledged asking about salary amounts during performance conversations.

Yelling and other forms of inappropriate and unprofessional behavior by any agency employee should never be tolerated. Management, in particular, must be held to a very high standard of conduct. In this case, we agree with DCAA Internal Review’s tentative conclusions and planned recommendations. We have no additional recommendations associated with this allegation.

Management Comments on Findings and Our Response

Management Comments

The Director, DCAA agreed with all findings except Finding B, “Delayed Promotion Due to Clerical Error.” Specifically, the DCAA Director disagreed with our position that the complainant’s promotion cannot be retroactively changed because the delay occurred before the authorizing official approved it. DCAA believes the failure of the supervisor to monitor promotion dates represents a laxity in supervision, which is a form of misconduct subject to potential disciplinary action. According to DCAA, the complainant should be made whole as a result of the misconduct.

Our Response

We disagree with DCAA. Our review of the Back Pay Act and relevant case law disclosed no authority for granting a retroactive promotion under this circumstance, even though the supervisor intended to promote the employee on time. We also do not believe the Agency has the authority to grant a retroactive promotion on the basis that the supervisor’s actions constituted “misconduct.” We note that, according to DCAA, no disciplinary action has been taken against the supervisor for the alleged “misconduct.” The DOD Inspector General and DCAA have agreed to jointly request assistance from the DOD Office of the General Counsel to resolve this matter.

Recommendations, Management Comments, and Our Response

We recommend that the Director, Defense Contract Audit Agency:

1. **Perform a comprehensive review of its policies, procedures, and training for reporting potentially derogatory events, and make appropriate changes to those procedures in order to ensure compliance with the requirements contained in Paragraph C9 of DOD 5200.2-R.**

Management Comments

The Director, DCAA concurred. DCAA is making the necessary changes, such as issuing clear instructions to all DCAA employees about their reporting responsibilities relating to potential security issues, violence in the workplace issues, and [REDACTED] DCAA will place its relevant security policy in an easily accessible location on the Agency's intranet. DCAA will also revise Technical Indoctrination and supervision courses to include training on how to deal with security issues, violence in the workplace issues, and [REDACTED] DCAA will accomplish these actions by April 29, 2011.

Our Response

The planned management actions are responsive. No additional comments are required.

2. **Assess the adequacy of current quality assurance procedures for timely processing of career-ladder promotions when the employee meets performance, time-in-grade, and other applicable requirements.**

Management Comments

The Director, DCAA concurred. DCAA is making process improvements, including better tracking of promotion eligibility dates by human resource officers and better communication/reminders of those dates to the supervisors. DCAA will complete the actions by April 29, 2011.

Our Response

The planned management actions are responsive. No additional comments are required.

3. **Implement quality assurance procedures for ensuring that employees receive timely performance appraisals and other forms of feedback.**

Management Comments

The Director, DCAA concurred. By June 30, 2011, DCAA will assess the adequacy of its internal controls for ensuring timely performance appraisals and implement strengthened controls.

Our Response

The planned management actions are responsive. No additional comments are required.

4. **Evaluate the significance of an audit finding that a supervisor improperly dropped from a draft report on a contractor's Earned Value Management System, and determine if the underlying audit report should be rescinded.**

Management Comments

The Director, DCAA concurred. Based on an Internal Review Department assessment, DCAA will rescind the audit report by March 31, 2011.

Our Response

The planned management actions are responsive. No additional comments are required.

5. **Consider establishing a strong and robust mentor program, which involves the assignment of a senior auditor to assist junior auditors (auditors below**

grade 12) in performing audits, to enhance the on-the-job training program used within Defense Contract Audit Agency.

Management Comments

The Director, DCAA concurred. DCAA adopted a plan to improve on-the-job training, including the potential establishment of a more formal program involving senior auditors assisting non-senior auditors. The improvements will begin by September 30, 2011.

Our Response

The planned management actions are responsive. No additional comments are required.

Scope and Methodology

To determine the validity of the Hotline complaint addressed in this report, we:

- reviewed applicable, public law, regulations, professional standards, DOD Directives; and DCAA procedures;
- interviewed selected DCAA security office personnel, and all employees at the field audit office where the complainant is stationed;
- examined DCAA security office files maintained on the complainant;
- reviewed selected audit files, emails, and personnel records related to the allegations; and
- examined internal reviews conducted by DCAA which relate to the complaint, including a Quality Assurance review completed in 2008 and a DCAA Internal Review investigation that is ongoing.

We performed this review from April through December 2010.

Use of Computer-Processed Data

We did not rely on any computer-processed data as part of our review.

Prior Coverage

In the last 5 years, the DOD Inspector General has issued three reports related to work environment and other issues at DCAA, including

- Report No. D-2009-6-009, “Defense Contract Audit Agency Audit Work Deficiencies and Abusive Work Environment Identified by the Government Accountability Office,” August 31, 2009. (The unrestricted DOD Inspector General report can be accessed at <http://www.dodig.mil>).
- Report No. D-2011-6-001, “Hotline Allegations Involving Management Harassment of a Complainant in the Defense Contract Audit Agency Western Region,” October 29, 2010.
- Report No. D-2011-6-003, “Hotline Complaint Regarding Allegations of Abusive Behavior by a Supervisor in the Defense Contract Audit Agency Northeastern Region,” February 10, 2011.

Defense Contract Audit Agency Comments



OFFICE OF THE DIRECTOR

DEFENSE CONTRACT AUDIT AGENCY
DEPARTMENT OF DEFENSE
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FORT BELVOIR, VA 22060-6219

March 25, 2011

MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR POLICY AND
OVERSIGHT, OFFICE OF THE INSPECTOR GENERAL, DEPARTMENT OF
DEFENSE

SUBJECT: Response to Department of Defense Inspector General (DODIG) Draft Report,
Report on Hotline Allegations Concerning a Field Audit Office in the Defense
Contract Audit Agency, Central Region (Project No. D2010-DIP0AI-0184.000)

Thank you for the opportunity to respond to the subject draft report.

We agree with the findings in the draft report. These findings related to incidents that occurred during the timeframe 2003 to 2009 and are consistent with the findings of the DCAA Internal Review Directorate (IRD) report issued February 18, 2011. Although we agree that the auditor's promotion to a GS-11 was unjustifiably delayed, we disagree with the draft report's position that the "complainant's promotion cannot be retroactively changed because the delay occurred before the authorizing official approved it." In our opinion, the failure of the supervisor to properly monitor eligible promotion dates represents a laxity in supervision and failure to comply with the Agency written policy. Laxity in supervision is misconduct subject to potential disciplinary action according to the DCAA Personnel Management Manual, Chapter 50, Appendix A, and the complainant should be made whole as a result of the management misconduct. Therefore, in coordination with your legal counsel, DCAA will seek resolution of this matter with the DOD General Counsel.

DODIG Recommendations. We recommend that the Director, Defense Contract Audit Agency:

1. Perform a comprehensive review of its policies, procedures, and training for reporting potentially derogatory events, and make appropriate changes to those procedures in order to ensure compliance with the requirements contained in Paragraph C9 of DoD 5200.2-R.

DCAA Response. Concur. The IRD completed this analysis and DCAA is in the process of making the necessary changes. For example, DCAA will annually issue clear instructions to all DCAA employees about their reporting responsibilities relating to potential security issues, violence in the workplace issues, and [REDACTED]. These instructions should be maintained for easy and quick access by Agency employees when needed. DCAA will also take action to place its relevant security policy in a more visible and easily accessible location on the Agency's intranet. We will also, at a minimum, revise Technical

SUBJECT: Response to Department of Defense Inspector General (DODIG) Draft Report,
Report on Hotline Allegations Concerning a Field Audit Office in the Defense
Contract Audit Agency, Central Region (Project No. D2010-DIP0AI-0184.000)

Indoctrination and the supervision courses to include training on how to deal with security issues, violence in the workplace issues, and [REDACTED] These actions will be accomplished by April 29, 2011.

2. Assess the adequacy of current quality assurance procedures for timely processing of career-ladder promotions when the employee meets performance, time-in-grade, and other applicable requirements.

DCAA Response. Concur. DCAA completed this assessment previously based on reported IRD findings. Process improvements are currently being designed and implemented, including better tracking of promotion eligibility dates by human resource officers and better communication/reminders of those dates to the supervisors. The actions will be completed by April 29, 2011.

3. Implement quality assurance procedures for ensuring that employees receive timely performance appraisals and other forms of feedback.

DCAA Response. Concur. DCAA will assess the adequacy of our internal controls over this process and implement strengthened controls and oversight by June 30, 2011.


4. Evaluate the significance of an audit finding that a supervisor improperly dropped from a draft report on a contractor's Earned Value Management System, and determine if the underlying audit report should be rescinded.

DCAA Response. Concur. IRD performed this assessment during its review and determined that the changes to the auditor's work product were significant and that the audit report did not comply with generally accepted government audit standards. The audit report will be rescinded by March 31, 2011.

5. Consider establishing a strong a robust mentor program, which involves the assignment of a senior auditor to assist junior auditors (auditors below grade 12) in performing audits, to enhance the on-the-job training program used within Defense Contract Audit Agency.

DCAA Response. Concur. DCAA previously adopted a strategic plan objective to improve auditor on-the-job training, including the potential establishment of a more formal requirement to have senior auditors assist in the training of non-senior auditors. Process improvements will begin to be implemented by September 30, 2011.

Please direct any questions on this memorandum to the undersigned at (703) 767-3200.


Patrick J. Fitzgerald
Director

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Inspector General
Department *of* Defense

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